



Report/Briefing Paper

To: Full Council
From: Town Clerk
Date: 25th October 2016
Status: OPEN
Subject: Potential property purchase and application for borrowing approval

Purpose

To consider whether Bewdley Town Council should take out a loan to purchase 67 Load Street, Bewdley.

Recommendation

- (i) Bewdley Town Council agrees to apply to the Secretary of State for borrowing approval of a loan of £320,000;
- (ii) Bewdley Town Council agrees the loan period of 30 years;
- (iii) Bewdley Town Council agrees the consultation process as set out below, the results of which will be brought before the next Town Council meeting to be held on 5th December 2016.

Issues and Rationale

The Town Council currently spends £660 per year on the lease for the office at The Guildhall. The Town Council is quickly 'outgrowing' the offices it currently occupies. The office is difficult for the public to access and cannot be adapted to meet modern needs and requirements. If the Town Council were to purchase its own building, it would be able to determine what the building was used for, what alternations to make to suit its needs and to provide community meeting space in Bewdley. It could also be an opportunity to support community groups seeking office accommodation and small business start-up type units.

As part of the Council's medium to long term strategic and financial planning, it has been identified that the Council will need an office to operate from which suits the needs of employees, Council Members and the community, and to secure a significant tangible asset which will provide future security for the Council.

In October 2016, the Policy and Resources Committee considered a report by the Town Clerk and agreed the following:

- (i) To recommend to Council that the Town Council actively seeks a suitable property in the Town Centre to house its offices and provide a community meeting space and information point for residents and visitors.
- (ii) To authorise the Town Clerk to investigate suitable premises and funding opportunities to achieve this, and report back to this Committee or directly to Council if time is an issue in collaboration with the Committee Chairman.
- (iii) To agree to the Town Clerk working on drawing up a Business Plan for the project.
- (iv) To agree to the Town Clerk/Treasurer to look at potential budget implications, possible precept increases and use of reserves.

The property that has been identified is 67 Load Street, a Grade II listed building in a key location in the town centre and one which has lay empty for a considerable number of years. Acquiring this property would protect its historical value in the Conservation Area for the benefit of the community, as well as using the building as a working office and community meeting space.

It is important to note that use of taxpayers' money must be justified in accordance with the Town Council's powers and responsibilities. Land and property acquisition powers fall under ss 124 and 127 of the Local Government Act 1972.

Financial implications

The process by which a loan can be set out is contained in DCLG/NALC guidance: "All about the borrowing approval system: a guide to parish and town council borrowing in England".

The Town Council must take two decisions at full Council:

- (i) To apply for borrowing approval (para 2(2)(a), Schedule 1, Local Government Act 2003);
- (ii) To borrow (para 2(4) Schedule 1, Local Government Act 2003).

A loan of £320,000 via the Public Works Loan Board would be repayable in instalments starting six months from the date of the advance (ie from the financial year 2017/18 if taken out this financial year). According to the DCLG/NALC guidance, the maximum loan period for work to land, building, roads or structures is 50 years. The borrowing period should be no greater than the period for which the expenditure is forecast to bring benefits to the council. The long term benefits of an established town council to Bewdley and therefore having an office base and community meeting space appears to have no finite end and it would, therefore, be acceptable to seek the maximum period. However, Members might wish to consider a shorter period (30 years for example). The current fixed interest rates for different periods are attached.

The criteria for borrowing approval also includes the following - "Any unallocated balances (including, where appropriate, capital receipts) beyond those required for the prudent financial management of the council, should be used in the project for which borrowing is required". The amount of unallocated reserves to date is £66,342 giving an overall total of £109,018 (£42,676 has been allocated). Prudent financial management does require an amount of unallocated reserves for unforeseen events during the financial year (50% of the precept is recommended). Therefore in order to limit the rise in council tax, the use of reserves to the tune of £15,000 would still leave the Council with the recommended level of unallocated reserves.

The proposed rise in council tax in 2017/18 would be 31% overall which equates to 16 pence per week for each householder. 18% of this rise can be attributed directly to the property purchase and operating costs. Once borrowing approval has been given, this will be worked into the budget for 2017/18 for ratification at full Council on the 3rd January 2016.

Consultation

It is a requirement of the Secretary of State's loan approval that the residents of Bewdley have been consulted. The following must be addressed:

- Details of the project and plans for borrowing and loan repayment must be accessible to residents from an early stage;
- Decisions on borrowing must be taken in an open and transparent way, following discussions in open meetings;
- Inclusion of the matter on an agenda for a public meeting of the council will not, in itself, be considered sufficient evidence of consultation;
- The council should ensure that information about the progress of the project continues to be available to residents following the approval to borrow;
- Any proposal to increase the precept to meet borrowing costs **must** be backed by evidence of public support.

To address these issues, I propose that the paper and the decision by the Town Council be placed on the Town Council website and Facebook page to seek views for and against over a period of the next four weeks. The information should also be posted on the Town Council noticeboard and made available on request at the Town Council offices.

Attachments

- Property particulars
- Example loan repayment schedule and draft financial breakdown
- Business Case
- SWOT Analysis